



East Bay Community Energy's Informal Comments on the CPUC's Draft Green Book submitted June 11, 2018

East Bay Community Energy ("EBCE") is a recently launched community choice aggregator ("CCA") serving commercial and municipal customers in Alameda County and eleven of its member cities. When it launches to residential customers in November 2018, EBCE will be the largest CCA in PG&E's service territory. EBCE appreciates the opportunity to submit these comments in response to the California Public Utilities Commission ("CPUC")'s recently issued "Draft Green Book," as revised June 17, 2018.

EBCE understands the purpose of the Green Book to be the identification of issues affecting the state of energy in California, versus a forum for providing solutions. As such, EBCE's comments address the problems identified, and provide additional context that should be considered as the CPUC undertakes the task of refining the issues more accurately before the Green Book is finalized. It would not serve CPUC or the state well as it moves to a problem-solving stage if the Green Book raises supposed issues that a more nuanced understanding shows not to be the real issues at all.

The Draft Green Book focuses on three key policy areas facing the state: decarbonization, reliability, and affordability. EBCE concurs with the importance of these pillars of our energy policy into the future; in fact, it was with these objectives in mind that community leaders and elected officials in Alameda County and its member cities felt that the traditional investor-owned utility model was no longer working for supplying energy to its residents, and the impetus behind EBCE's very creation.

Regulatory Uncertainty

The Draft Green Book fails to identify and address the root causes of some of the problems it identifies; i.e. the analysis does not go far enough to leave readers with an understanding of the cause. Without such understanding, it becomes much easier to lay the blame on the changes effectuated by the growth of CCAs and much more challenging to identify and work towards solutions. For example, one of the largest potential destabilizers of energy markets at the moment is regulatory uncertainty. We see this uncertainty popping up in various venues and proceedings. This uncertainty is caused by several current issues the CPUC is addressing in its proceedings:

- 1) Power Charge Indifference Adjustment ("PCIA") – market participants do not know how costs and/or energy resources will be shared or allocated forward, nor do they have insights into the quantity of existing supply that may be released back into the markets (and which markets) over the next few years as load shifts away from the investor-owned utilities across the state
- 2) Resource Adequacy ("RA") – current rules for local and flexible RA are shifting, increasing any risk associated with long-term contracting

- 3) Integrated Resources Plan (“IRP”) – coordination of generation planning among all the LSEs is being undertaken for the first time through IRP plans that will be filed August 1. Guidelines for how to count greenhouse gas emissions associated with energy supplied have recently changed, and the details have not been fully fleshed out, especially as it crosses over to the Renewable Portfolio Standard (“RPS”) rules. Not having clear insights into the rules has made it very challenging to plan and procure into the future without risking stranded costs.
- 4) Net Energy Metering (“NEM”) – the current NEM tariff is poised to change in the next proceeding, although it is unclear how this will change incentives for those that may choose to invest in NEM-eligible resources in future years. This adds additional risk to those that would plan to begin making investments a few years into the future and makes the economics of NEM projects less certain.

While this regulatory uncertainty poses a large risk, in some of the key proceedings above the guidelines market participants are seeking are expected to be set over the course of 2018 and in some instances into 2019. The CPUC has provided schedules for many of these proceedings and is currently undertaking the hard work of crafting the policy solutions that will provide market participants with the certainty they need going forward. The energy markets in California have been changing for years with the growth of departed load and rooftop solar, and the requisite changes in the regulatory realm have been lagging, which has created the disconnect between the regulatory scheme and the energy landscape. The CPUC should consider whether its own planning processes for dealing with shifts in the energy markets are sufficiently responsive and timely.

EBCE believes that the outcomes of the CPUC’s active Resource Adequacy, Power Charge Indifference Adjustment and Integrated Resource Planning proceedings can go a long way towards addressing both the Green Book’s problem statement as well as providing much needed market certainty. The key is for the CPUC to demonstrate that these proceedings, and their associated policy decisions, are being coordinated internally to provide a coherent framework for market participants.

Transition Period

Consideration must be given to the difference between a long-term trend and a transition period, which is a short-term issue. While addressing regulatory certainty would help give market participants the information they need to transact more successfully in longer-term contracts, it is also important to recognize that when a new CCA launches, there is a short window of transition when the investor-owned utility is no longer entering into long-term contracts for that CCA’s customers and when the CCA needs to first become operational before it is able to enter into long-term contracts itself. In recent years, that transition period has shortened, bolstered by the success of early CCAs and increased confidence in the investor community. One CCA now has an investment-grade credit rating, and other CCAs are on track to obtain similar investment-grade credit ratings over the next few years; regardless of the state of a CCA’s finances, it takes several years of operation at a minimum to even be eligible for a credit rating. Even without credit ratings, newer CCAs are finding it easier to obtain the necessary financing to enter into long-term contracts, in part because the CCA model has proven itself to be robust, stable, and enduring.

As an example of how the transition period is condensing, though EBCE only had its first launch phase on June 1, 2018, we have already issued two solicitations for long term products. EBCE's first long-term solicitation, the Oakland Clean Energy Initiative ("OCEI"), was issued a couple months before our launch and is a first-of-its-kind collaboration with the local investor-owned utility, PG&E. In EBCE's second solicitation, issued June 4, 2018, we seek to secure up to 1 million MWh per year of renewable energy for a period of not less than ten years.

Innovation

Through the OCEI solicitation, EBCE will buy energy and/or resource adequacy from new renewable energy and/or storage projects in the local Oakland area, beginning in 2021 and continuing for 10 years or more. PG&E will buy a reliability product from the same project as a transmission alternative for the local area. This is a perfect example of how a CCA can directly support a more affordable, reliable, and decarbonized grid, and is a useful model going forward in other areas that are transmission-constrained as an alternative to operating large, polluting fossil plants and/or building new, expensive transmission lines. Furthermore, the project provides local benefits for the Oakland community – including local jobs, local air quality improvements, and local investment. These local co-benefits are additional aspects that CCAs are uniquely positioned to provide to their local communities, which is facilitated in EBCE's case by its strong relationships and constant communications with local elected officials, municipal governments, community members, and other local organizations.

EBCE's efforts through its solicitations will contribute to reliability in the state. It is not the CCA model that causes reliability challenges, but there are real risks to reliability that the CPUC, EBCE, and others will need to help address. These include risks of gas supply in California and gas prices, as well as resource adequacy supply as existing generators retire. The real challenge for California and the CPUC to address is the transition away from gas. As demonstrated by EBCE's participation in OCEI, once regulatory certainty is established, CCAs are well-positioned to be part of the solution. It is important, however, that regulators remain committed to decarbonization while solving for increased reliability; any reforms to the resource adequacy regulatory scheme should establish a clear mechanism that does not disincentive future LSE invest in distributed energy resources ("DERs"), renewable energy, and zero-emission long-term capacity like storage, as well as transmission alternatives.

EBCE is well positioned to be a key driver for accelerating decarbonization statewide. Its default energy product offers higher levels of renewable energy to customers at a discount to PG&E's rates. Over the course of the next few years, EBCE expects its energy offerings to even further outpace state RPS requirements as it offers ever increasing levels of renewable energy in its default mix. Its Local Development Business Plan analyzes local clean energy potential and provides guidance to EBCE regarding how to invest in grid-side DERs, behind-the-meter energy resources, and local DER programs and incentives, including using rate design as a tool to encourage load-shifting. Decarbonizing requires all these solutions, and CCAs such as EBCE are innovating in their programs to test out different models and integrate alternative solutions to decrease our reliance on fossil plants, both for energy and resource adequacy. In this sense, the innovations and investments coming from CCAs such as EBCE are essential for the state to achieve its decarbonization goals.

Conclusion

EBCE's board of elected officials from the County of Alameda and its eleven member cities oversees EBCE's policy choices, energy risk mitigation, customer rates, products, and programs, and strategic vision for the future. Customers in our community have a forum to directly participate through our public board meetings governed by California's Brown Act, and our Community Advisory Committee which also holds regular public meetings, as well as access to our local elected officials and their offices. The accountability and connection between the governance of EBCE and its constituents is simply not possible with the traditional investor-owned utility model, nor is the practice of investing surpluses back into the community. EBCE encourages the CPUC to increase its dialogue with CCAs so that it can learn more from our best practices and successes, as well as better understand our governance structures. EBCE looks forward to continuing to partner with the CPUC, and the state of California to develop innovative programs, rates, and supports for our local community and by extension the state as we seek to provide affordable, reliable, and low-carbon energy while investing in our local community. No one public institution can face these challenges alone; EBCE has been established for the long-term benefit of its customers and together we can weave a seamless web of policy that ensures our customers are receiving the energy mix they want with the attributes the residents of our state need and deserve.

Finally, EBCE recommends that the CPUC focus on developing a roadmap to ensure that there is coordination between the many ongoing CPUC proceedings that are implicated in the Draft Green Book. The major concerns raised in the Draft Green Book – Reliability, Affordability and Decarbonization – are each currently core issues in the CPUC's existing rulemakings such as Resource Adequacy, Power Charge Indifference Adjustment, and Integrated Resource Planning. Instead of sounding an alarm without a clear explanation of underlying symptoms or evidence of a problem, the CPUC should replicate its Distributed Energy Resource Roadmap process in the context of customer choice. In so doing, the CPUC may discover that all the pieces are already there to transition California towards a cleaner, more reliable, and more cost-effective electricity system.